

ITG News
Keeping First Nations Informed

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Message from the Director

Our last issue of ITG News highlighted some of the results from our 2006 Customer Satisfaction Survey, and outlined some areas where ITG would be taking steps to effect operational changes. Several of those areas focused on communications, and specifically the challenges presented by the movement of personnel, offices, and evolving communication technology.

There is an old saying that “there is nothing as constant as change”. The world around us changes so quickly that it is often difficult to keep pace. We utilize technology such as cell telephones, laptop computers, and the worldwide web, to communicate and attempt to stay abreast of changing events. However, change is not limited to technology; it also includes changes in personnel and personal relationships. All of us experience transitions in staffing. Key employees move into other positions, retire, or resign. Tribal enterprises and the IRS office of Indian Tribal Governments are not immune from those changes.

Recognizing this, in conjunction with feedback from the 2006 survey, has led ITG to implement several actions designed to improve the way we interact. These include:

ITG has created a listing on the ITG web site landing page of each tribe and their assigned ITG Specialist and telephone number. This listing will be refreshed every time a change is made in personnel or in telephone numbers.

ITG has created a back-up telephone number (202-283-9800) to reach an ITG employee in the event that a tribe’s assigned ITG Specialist is not available. We will guarantee a return telephone call within 24 hours.

ITG will be disseminating information on reporting changes in tribal personnel or contact points to the IRS. For example, page 2 of this edition of ITG News contains an article on reporting address changes.

We will be continuing to seek opportunities to improve communications. I welcome your ideas, whether through future Customer Satisfaction Surveys, Consultation Listening meetings, or via e-mail to me at christie.jacobs@irs.gov.

Christie Jacobs

Federal Tax Calendar for Third Quarter 2007

July 2007

Thursday, July 5 – *make a deposit for 6/27-6/29

Monday, July 9 - *make a deposit for 6/30-7/3

Tuesday, July 10 - Employees report June tip income to employers if \$20 or more

Wednesday, July 11 - *make a deposit for 7/4-7/6

Friday, July 13 - *make a deposit for 7/7-7/10

Monday, July 16 - **make a deposit for June if under the monthly deposit rule

Wednesday, July 18 - *make a deposit for 7/11-7/13

Friday, July 20 - *make a deposit for 7/14-7/17

Wednesday, July 25 - *make a deposit for 7/18-7/20

Friday, July 27 - *make a deposit for 7/21-7/24

August 2007

Wednesday, August 1 - *make a deposit for 7/25-7/27

Friday, August 3 - *make a deposit for 7/28-7/31

Wednesday, August 8 - *make a deposit for 8/1-8/3

Friday, August 10 - *make a deposit for 8/4-8/7 – Employees report July tip income if \$20 or more

Wednesday, August 15 - *make a deposit for 8/8-8/10 -- **make a deposit for July if under the monthly deposit rule

Friday, August 17 - *make a deposit for 8/11-8/14

Wednesday, August 22 - *make a deposit for 8/15-8/17

Friday, August 24 - *make a deposit for 8/18-8/21

Wednesday, August 29 - *make a deposit for 8/22-8/24

Friday, August 31 - *make a deposit for 8/25-8/28

September 2007

Thursday, September 6 - *make a deposit for 8/29-8/31

Friday, September 7 - *make a deposit for 9/1-9/4

Monday, September 10 - Employees report August tip income to employers if \$20 or more

Wednesday, September 12 - *make a deposit for 9/5- 9/7

Friday, September 14 - *make a deposit for 9/8-9/11
Monday, September 17 - **make a deposit for August if under the monthly deposit rule
Wednesday, September 19 - *make a deposit for 9/12-9/14
Friday, September 21 - *make a deposit for 9/15-9/18
Wednesday, September 26 - *make a deposit for 9/19-9/21
Friday, September 28 - *make a deposit for 9/22-9/25

Return Filing Dates

July 2nd

File Form 730 and pay the tax on applicable wagers accepted during May.
File Form 11-C to register and pay the annual tax if you are in the business of taking wagers

July 31st

File Form 941 for the 2nd quarter of 2007. If all deposits paid on time and in full, file by August 10th.
File Form 730 and pay the tax on applicable wagers accepted during June.

August 31st

File Form 730 and pay the tax on applicable wagers accepted during July.

October 1st

File Form 730 and pay the tax on applicable wagers accepted during August.

Consultation Listening Meeting Scheduled for Oklahoma City

In accordance with the Consultation procedures utilized by the Internal Revenue Service, ITG holds Consultation Listening meetings on a rotating basis throughout Indian country. The meetings are open to any tribal representatives, and provide an opportunity to surface concerns, ask questions, provide input and suggestions to ITG, and dialogue with other tribal representatives concerning federal tax issues. Our objective is to hold a meeting within each of the 12 BIA regions at least once every three years.

Our next meeting has been scheduled for Oklahoma City, Oklahoma on Thursday August 2nd. The meeting will be held from 1:00-4:00pm at:
Embassy Suites
1815 South Meridian Avenue
Oklahoma City, Oklahoma 73108

In order that we can adequately plan for the meeting, we ask that those wishing to attend register for the meeting through a link on our web site at www.irs.gov/tribes.

We plan to hold four meetings next year— in Alaska, the Pacific Northwest, Montana, and Phoenix. The specific dates, times, and locations for those meetings will be announced on our web site, and via direct mailings to the tribes in those areas.

Who Receives Your Letters from the IRS? Is this the Correct Person?

If not, has this caused delays in responding, and created unnecessary penalties or assessments? Here is how to correct the situation:

Form 8822 is used to make the appropriate changes. Part II of the form is used to change your business mailing address. Enter the returns that the change is being made for on line 8 or 9. Enter your business name on line 11a and your Employer Identification number on line 11b. Enter the old mailing address on line 12. The “in care of” (c/o) information should be entered on line 13 with the name of the person who should be receiving IRS correspondence. The business location information is entered on line 14.

An owner, officer, or representative must sign the form. An officer is the president, vice-president, chairman, vice-chairman, chief accounting officer, community service coordinator, office specialist, comptroller, etc.

File the form with the appropriate IRS Service Center as listed on the instruction page of form 8822. The form is available online at <http://www.irs.gov/pub/irs-pdf/f8822.pdf>.

Improving Bank Secrecy Act Compliance

IRS continues to work closely with tribal entities to assess their Bank Secrecy Act (BSA) Compliance programs, in an effort to ensure they have the tools and resources necessary to meet federal regulations. Our work includes Outreach/Education for affected tribal employees, BSA Compliance Checks to help identify material weaknesses, and examinations to identify compliance failures. The office of Indian Tribal Governments (ITG) undertakes Outreach/Education and BSA Compliance Checks, while dedicated staff from our Small Business/Self Employed Division conducts BSA examinations on all entities.

ITG’s work in this regard has identified many significant problems in tribal entity BSA compliance, including:

Written BSA Compliance Plans do not exist or are superficial
No experienced BSA Compliance Officer
No ongoing training of affected entity staff
Extreme reluctance to file Suspicious Activity Reports
Little or no testing to validate BSA procedures are being followed

The BSA examination staff completed 13 examinations of tribal casinos during the initial six months of this year, and 12 of them resulted in determinations that material violations of Bank Secrecy Act regulations had occurred.

These findings show that improvements in BSA compliance are a major issue that tribes face, and ITG stands ready to assist them in determining changes that may be required. However, tribal entities must first recognize that improvements may be required, and then must be willing to work with ITG to implement those changes.

If you have questions regarding the Bank Secrecy Act, or have an interest in determining where compliance improvements could be made, please contact your assigned ITG Specialist.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.

Assess Your Own Level of Federal Tax Compliance

ITG continues to offer a self-assessment program where qualifying tribal entities can perform their own Compliance Checks. In order to qualify, the tribal entity must be current in the filing of all required federal tax returns, and must have fully paid all federal tax liabilities. They are then able to apply to perform a "self-Compliance Check", by submitting a request through the "Enhancing Federal Tax Compliance" link on the landing page of the ITG web site at www.irs.gov/tribes, or by notifying ITG in response to a contact we might initiate.

A special template with fill-in-the blank responses is utilized in conjunction with a special web page with linkages to reference material that will assist tribes in both understanding the process, as well as in completing their own Compliance Check.

As part of this process, tribal entities performing their own Compliance Check have the opportunity to effect any corrective actions. An ITG Specialist assists in that process, and will mitigate any penalties wherever possible. For example, if a tribal entity discovered during a self-Compliance Check that they had not filed required Forms 1099, the entity could make a self correction without risk of penalty.

There are several advantages that a tribe can realize through this process. Among them are:

Existing tribal finance staff might gain added insights into key federal tax administration issues that impact their positions and the tribal entity.

A new tribal finance officer could utilize a self assessment to establish a baseline of current federal tax compliance. It would improve their knowledge of the tax issues within the specific entity, and allow them to remedy any problems that might pre-date their assumption of tax responsibilities.

A tribal entity might identify a potential area of noncompliance that they wish to surface to ITG and remedy with minimal risk or cost.

This initiative empowers tribes to self-assess federal tax compliance and effect improvements. We look to further participation by tribal entities who believe they might benefit.

Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian Country. Working together can help ensure the integrity of tribal finances, and eliminate the threats posed by individuals with schemes that appear “too good to be true” and often are. If you are aware of financial impropriety, or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4960, or via e-mail at: tege.itg.schemes@irs.gov

Accountable vs. Non-accountable Plans

Stipends: A stipend is defined as a fixed sum of money paid periodically for services or to defray expenses. The fact that remuneration is termed a “fee” or “stipend” rather than salary or wages is immaterial. Wages are generally subject to employment taxes and should be reported on Form W-2.

IRS Publication 15, Circular E, Employer’s Tax Guide, defines employee

business expense reimbursements. A reimbursement or allowance arrangement is a system by which you substantiate and pay the advances, reimbursements, and charges for your employees' business expenses. How you report a reimbursement or allowance amount depends on whether you have an accountable or a non-accountable plan. If a single payment includes both wages and an expense reimbursement, you must specify the amount of the reimbursement.

These rules apply to all ordinary and necessary employee business expenses that would otherwise qualify for a deduction by the employee.

Accountable plan: For this to be an accountable plan, your reimbursement or allowance arrangement must require your employees to meet all three of the following rules.

- They must have paid or incurred deductible expenses while performing services as your employees.

- They must adequately account to you for these expenses within a reasonable period of time.

- They must return any amounts in excess of expenses within a reasonable period of time.

Amounts paid under an accountable plan are not wages and are not subject to income tax withholding and payment of Social Security, Medicare and Federal Unemployment (FUTA) taxes. (Reminder: Indian Tribes are not subject to FUTA as long as they are compliant with SUTA.)

If the expenses covered by this arrangement are not substantiated or amounts in excess of expenses are not returned within a reasonable period of time, the amount is treated as paid under a non-accountable plan. This amount is then subject to income tax withholding and payment of Social Security, Medicare, and FUTA taxes for the first payroll period following the end of the reasonable period.

A reasonable period of time depends on the facts and circumstances. Generally, it is considered reasonable if your employees receive the advance within 30 days of the time they incur the expense, adequately account for the expenses within 60 days after the expenses were paid or incurred, and they return any amounts in excess of expenses within 120 days after the expense was paid or incurred. Also, it is considered reasonable if you give your employees a periodic statement (at least quarterly) that asks them to either return or adequately account for outstanding amounts and they do so within 120 days.

Non-accountable plan: Payments to your employee for travel and other necessary expenses of your business under a non-accountable plan are wages and are treated as supplemental wages and subject to income tax withholding and payment of Social Security, Medicare and FUTA taxes. Your payments are treated as paid under a non-accountable plan if:

Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation or
You advance an amount to your employee for business expenses and your employee is not required to or does not return timely any amount he or she does not use for business expenses.

See Publication 15 for more information about supplemental wages.

Per diem or other fixed allowance: You may reimburse your employees by travel days, or miles, or some other fixed allowance. In these cases, your employee is considered to have accounted to you if the payments do not exceed rates established by the Federal Government. There are standard rates for mileage, lodging and meals. Other than the amount of these expenses, your employees' business expenses must be substantiated (for example, the business purpose of the travel or the number of business purpose of the travel or the number of business miles driven).

If the per diem or allowance paid exceeds the amounts specified, you must report the excess amount as wages. This excess amount is subject to income tax withholding and payment of Social Security and Medicare taxes. Show the amount equal to the specified amount (the non-taxable portion) in box 12 of the Form W-2, using code L.

IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, discusses the taxability of fringe benefits. If the recipient of a taxable fringe benefit is your employee, the benefit is subject to employment taxes and must be reported on Form W-2, Wage and Tax Statement. However, you can use special rules to withhold, deposit, and report the employment taxes. Refer to Publication 15-B for withholding, depositing and reporting rules.

Changes to the Page "Tax News For You!"

The ongoing theme of this newsletter edition is to embrace change, and the "Tax News For You!" page is no exception! The editor is no longer able to use the Tax Man clip art picture that helped identify which page was for the individual tribal members. To make sure that this page is still easy to identify, we have added the phrase "Individual Tribal Member Information" under the title. We hope that this page will still be easily identifiable and of help to your tribal members.

This issue's "Tax News For You" contains ideas for ways to assist individuals in paying tax obligations when the tribal member—or any taxpayer—doesn't have the money to pay their taxes in full.

Slot Machine and Video Lottery Terminal Jackpots Excluded from CTR Filing Requirements

On June 21, 2007, the Financial Crimes Enforcement Network (FinCEN) issued a new rule that exempts casinos from the requirement to file currency transactions reports (CTRs) on jackpots from slot machines and video lottery terminals. The rule also exempts reportable transactions in currency, under certain conditions, involving certain money plays and bills inserted into electronic gaming devices. This final regulation, which amends Bank Secrecy Act regulations, does not change the regulation requiring casinos to report all other transactions in currency of more than \$10,000.

The casino industry sought relief from this reporting requirement relating to jackpots from slot machines and video lottery terminals because these particular jackpots make up a significant percentage of CTRs filed by casinos but present a low risk of money laundering. FinCEN accepted that customers who win more than \$10,000 in jackpots will have won those funds because of the workings of the random number generator in electronic gaming devices and, thus, are not likely to form part of a scheme to launder funds through casinos.

If you have any questions relating to this change, please contact your designated ITG Specialist.

Tax News For You! - Individual Tribal Member Information

Can't pay your taxes on time. There is help available!

It is always in your best interest to file your tax return on time and pay your tax liability in full to avoid the assessment of failure to file penalties and interest. But what happens if you find yourself in a situation where you owe more tax than you can pay when it is due? First, make sure you file your tax return on time! This will prevent the assessment of failure to file penalties. But what about paying the tax?

Fortunately, there are several options for individuals who find themselves in this situation. If you are unable to pay your full tax bill, consider financing the amount due through loans, such as a home equity loan from a financial institution or a credit card. The interest rate a bank charges is usually lower than the combination of interest and penalties imposed by the Internal Revenue Code. If this option is not possible for you, then you can work with the IRS to see if one of

our payment options would help you meet your obligation.

Use the new IRS Online Payment Agreement (OPA) application at www.irs.gov. There are three options when applying online to pay your taxes.

-You can pay in full. You agree to pay in full – you will save penalties and interest. This is what you could use if you finance your tax bill with a home equity loan or a credit card cash advance.

-You can be granted a short term extension. If you cannot pay in full at this time, you may be eligible for a short term extension of time to pay of up to 120 days. This would be helpful if you know you can get the money together, but it may take time. There is no fee for an extension to pay. If we grant online approval for a short term extension, you will receive written confirmation within 10 days,

-Or you can ask for a monthly payment plan if you owe less than \$25,000. If you cannot pay in full within 120 days, you may be eligible to make monthly payments. You must have filed all of your required tax returns that are due. There is a one-time user fee that will be added to the amount you owe. The fee is (a) \$105 for individuals who will pay by check each month, (b) \$52 for the plans where the payments are deducted directly from your bank account, or (c) \$43 for eligible individuals with income at or below certain levels who apply and qualify.

If you owe more than \$25,000 in combined tax, penalties, and interest you may still qualify for an installment agreement, but a Collection Information Statement, Form 433F, may need to be completed. Call your number on your tax bill or mail the request for Installment Agreement, Forms 9465 and 433F, to the address on the bill.

Pay by credit card – Taxpayers who can charge taxes on their American Express, MasterCard, Visa, or Discover cards. To pay by credit card, taxpayers should contact one of the service providers at its telephone number or Website listed below and follow the instructions. The service providers charge a convenience fee based on the amount of tax you are paying. You should not add the convenience fee to your tax payment.

-Link2Gov Corporation: 888-PAY-1040 (888-729-1040) www.pay1040.com

-Official Payments Corporation: 800-2PAY-TAX (800-272-9829)
www.officialpayments.com

If you have questions about any tax issue, including these payment options, you can call 1-800-829-1040.

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